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May 12, 2009

AGENDA ITEM 6a

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. SUBJECT:** Blue Shield Medicare Advantage Part D
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Staff recommends the Committee approve Blue Shield of California's proposal to offer a Group Medicare Advantage Part D Plan in nine counties effective January 1, 2010.

IV. BACKGROUND:

On September 16, 2008, Blue Shield of California (BSC) provided the Health Benefits Committee (HBC) with a general overview of their proposals to address wellness, healthcare costs and efficiency. At that time, BSC proposed that CalPERS adopt its Group Medicare Advantage Part D (GMA-PD) plan to realize a premium savings through the plan's direct payment to providers instead of provider compensation from Medicare for eligible CalPERS members effective January 1, 2010.

On December 16, 2008, CalPERS staff presented its initial analysis of the proposal to the HBC. CalPERS staff recommended that BSC include this proposal in the 2010 rate setting process so that staff could conduct a rate impact cost-benefit analysis to validate the proposed savings and member impact, and assess the impact of the loss of Medicare Part D Retiree Drug Subsidy (RDS) funds against the savings achieved in premium.

This agenda item will be presented by BSC staff. (See Attachments 1 & 2)

V. ANALYSIS:

Currently, CalPERS collects payment from the RDS for members enrolled in its Supplement to Medicare health plans. Under BSC's proposed GMA-PD product, the health plan would contract directly with CMS to receive Part D benefits such that CalPERS would not be entitled to receive RDS funds for members enrolled in

BSC's GMA-PD plan. CalPERS would potentially realize benefits from the GMA-PD product through premium savings.

Cost Savings

BSC projects a significant premium savings net of the RDS payment. CalPERS staff is in the process of validating potential premium savings for the 2010 rate renewal.

Member Disruption

If approved, the GMA-PD plan will be the only BSC Medicare plan available to the CalPERS members in the nine counties. All BSC CalPERS Medicare members in the affected counties must enroll in the GMA-PD plan or they will need to move to another plan (e.g. CalPERS Self-funded Preferred Provider Organization or Kaiser Permanente.)

To participate in a Medicare Advantage plan, members must be enrolled in both Medicare Parts A and B and continue to pay their Part B premiums. The member will receive all Medicare-covered benefits through the plan.

BSC completed an analysis of the disruption to the CalPERS membership in the proposed counties and found that only 10 percent of 6,859 eligible members would need to change medical groups. BSC is prepared to conduct extensive member outreach to minimize the member disruption.

Proposed Service Area

BSC proposes to offer the GMA-PD product in nine counties. The counties are:

- Fresno
- Kern
- Los Angeles
- Madera
- Orange
- Riverside (designated regions)
- San Bernardino
- San Luis Obispo
- Ventura

Administration

If the BSC's GMA-PD product is adopted, CalPERS would no longer need to administer the RDS in the nine counties. BSC would become the point of contact for members and employers under their GMA-PD product. BSC's GMA-PD is a stand-alone product and will not be a part of NetValue or Access+. Benefits for

BSC's GMA-PD would be CalPERS-specific and mirror the Kaiser Permanente Senior Advantage Plan.

Issues

Although CalPERS staff agrees that the GMA-PD plan would provide cost savings, the following concerns with the timing of this plan should be considered.

- The BSC contract expires December 31, 2010. The Health Maintenance Organization Request for Proposal currently in process would award a new contract effective January 1, 2011. If BSC's GMA-PD is approved for January 1, 2010, the most senior members would potentially be disrupted again within one year if a different health plan is awarded the contract.
- Currently, the Centers for Medicare & Medicaid Services (CMS) is working on possible changes to the Medicare Advantage (MA) reimbursement rates. CalPERS staff cannot adequately assess the proposed plan until the changes are approved. BSC has taken into consideration current and projected changes to CMS reimbursements for MA plans. BSC's findings indicate that that this GMA-PD product would continue to provide net savings to CalPERS even if the benchmarks to MA plans were significantly reduced.
- If the Committee approves the adoption of the BSC GMA-PD for the 2010 health plan year, CalPERS staff will need to provide legislative notification accordingly. Pursuant to Provisions 2 and 3 of Item 1900-001-0950 in the Budget Act of 2009 (Chapters 268 and 269, Statutes of 2009),...*if PERS chooses not to apply for subsidies [Medicare Part D subsidies] pursuant to this provision, PERS shall notify the Department of Finance, the chairpersons of the committees and the appropriate subcommittees in each house of the Legislature that consider the budget, the Chairperson of the Joint Legislative Budget Committee, and the Legislative Analyst's Office, and PERS shall explain the facts and circumstances underlying that choice.*

Next Steps

If approved, to ensure the continuity of health benefits and minimize member disruption, the Committee should direct staff to do the following:

- Work with BSC to implement the new product in time for the 2010 Open Enrollment period.
- Develop a communication plan to inform members, employers and other stakeholders in the nine counties of the availability of the new product.

VI. STRATEGIC PLAN:

This directly relates to Goals X and XI of the strategic plan which state:

- Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers.

- Promote the ability of members and employers to make informed decision resulting in improved lifestyle changes and health outcomes.

VII. RESULTS/COSTS:

Potential cost savings for CalPERS and its members resulting from BSC's GMA-PD will be determined for the 2010 rate renewal.

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Attachment